

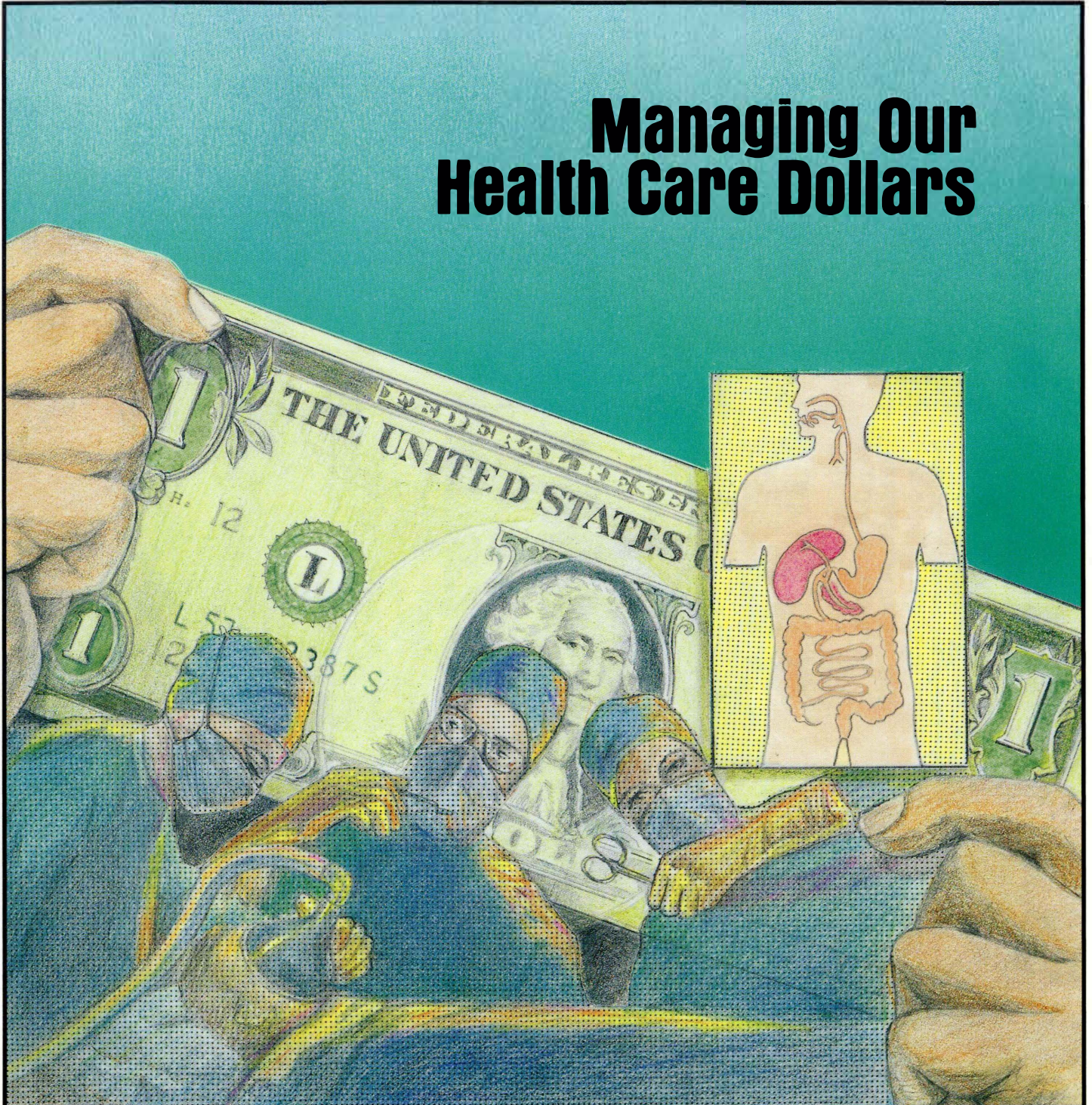
PROFILE

Vol. 38, No. 8

A Newsletter of Blue Cross and Blue Shield of Florida

August 1989

Managing Our Health Care Dollars



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Health care management holds the key to control rising medical costs

Blue Cross and Blue Shield of Florida became the state's leading health insurer by helping people afford hospital and physician services. The Plan's prepayment arrangements have ensured that members will get medical care whenever they need it, and that health care providers will be paid for their services.

But to restrain the medical cost increases of recent years, BCBSF has had to develop new products and programs to manage the care that's given. Nowadays, instead of just paying claims, the Plan influences the price and use of medical services, and it makes every effort to see that patients are satisfied with the results, healthwise and dollarwise.

People want the best care available, regardless of cost, and insurers like BCBSF are caught in the middle. To keep premiums affordable, successful companies must change from the traditional approach to insurance, to one of health care management. The catchphrase for this evolution is *managed care*.

Elements of managed care

To ensure that policyholders will receive quality health care that's cost-effective, — the right providers, the right services, at the right place and time — BCBSF is proceeding on several fronts.

■ Utilization management

BCBSF can reduce costs with programs that help patients avoid unnecessary services. This is evident from the results of the first comprehensive study of the effects of utilization review.

The University of Michigan studied more than 200 groups of workers covered by one insurance company from 1984 to 1986. Researchers found that utilization review reduced hospital admissions by 12 percent and total medical expenditures by about 6 percent, yielding an average annual savings of about \$120 per worker.

The Florida Plan's preadmission certification program, for example, reviews all non-emergency and non-maternity hospital admissions before they occur, and determines whether a less costly outpatient setting is more appropriate.

Concurrent review monitors medical services as they're being given, seeking to determine alternative care methods that are equally or more cost-effective without reducing quality of care.

Because outpatient care costs have increased substantially in the absence of cost controls, the Plan is beginning to apply utilization management programs to outpatient care as well.

These kinds of improvements will help reduce the cost of services, ensure that patients continue to receive quality care, and provide a more personal, local approach to medical care.

■ Benefit design

Restructuring benefits packages greatly affects how costs are managed.

Designing benefits to affect outpatient surgery is one example. Today, 40-50 percent of all surgery is performed in outpatient settings, compared with 20-30 percent a decade ago.

Providing for quality outpatient care as an incentive for members has always been a feature of HMOs; it has been a significant development for other insurance products during the past 10 years.

Benefit design also can affect non-provider expenses, which account for 15 percent of all medical costs. To reduce the cost of prescription drugs, for example, Health Options contracts now have a mandatory generic drug clause that will yield substantial savings.

■ Contracting

BCBSF contracts with doctors and hospitals that deliver appropriate, cost-effective care.

The Plan reviews physicians' credentials to determine their qualifications, then measures their performance for cost-effectiveness.

Physician profiling compares physicians' utilization patterns with those of their peers and helps to identify physicians who charge more than others.

These are just a few of the things the Florida Plan is doing to enhance service to subscribers and providers as it evolves into a health care management company:

- To improve service to providers and to establish administrative uniformity, the Plan will develop one set of precertification criteria for all hospital admissions in all lines of business.
- This fall in Sarasota, BCBSF will implement a pilot management information system that includes integrated claims processing and utilization management. Initially serving Health Options, it eventually will benefit all lines of business.
- A pilot concurrent review program for select employer groups affects all mental health admissions. Ten to 15 percent cost savings has been reported from similar programs.
- At the request of St. Vincent's Hospital in Jacksonville, a pilot discharge planning and concurrent review project for PPO products was begun recently. It will help BCBSF determine which utilization management programs are most appropriate for particular products.
- The Plan is creating a pharmacy drug card for all of its subscribers to use at pharmacies that have agreed to accept negotiated prices. This will mean lower cost and more convenience for subscribers.

BCBSF employs profiling systems to identify PPO physicians and HMO primary care physicians and specialists. A single profiling methodology will serve all product lines by the end of the third quarter.

With **capitated contracts**, physicians earn a fixed fee for a given period of time for providing certain services when members need them. Such contracts save money by reducing unnecessary procedures.

For mental health services, for example, BCBSF has negotiated HMO capitated contracts throughout Florida with a view to applying similar cost-effective arrangements to PPO and traditional products.

The **Purchasing of Physician Services (PPS)** program for traditional business is designed to encourage doctors to accept a fee schedule and not to bill patients for what their insurance doesn't pay (balance bill). This is already in effect for Health Options and Preferred Patient Care.

Hospitals - For some highly technical care, such as heart transplants, it might be more cost-effective to contract with only one hospital in a region.

For example, during the past two years, about 20 BCBSF subscribers had heart transplants that cost \$110,000 each just in hospital charges. Having all of those operations performed at only one hospital could produce considerable savings and assure quality assurance.

(Continued inside)



HOSF introduces "Total Quality Management"

"You Get Things Done" was the theme in June when Ken Otis, executive vice president for Marketing and Health Care Services, and Dick Smith, regional vice president, led Health Options of South Florida's kickoff meetings for "Total Quality Management." Pictured are (l-r) Otis, Smith, Jake Lazarovic, M.D., Sandy Hamilton, Al Guerra, Bobbi Huffman, Liz Peralta, Susie Reizen, Marina Villegas, Eddie Sanchez, Winston Chen, Marsha Sadowsky, Brenda Navarro, Ruth Schroeder and Osvaldo Rodriguez.

Voluntarism: Lending a helping hand makes a big difference in people's lives

Blue Cross and Blue Shield of Florida encourages its employees to contribute to their communities in whatever ways they can. There are many ways to help other people, and the rewards are great great. It's also a pleasant relief from the stresses of work.

Part of his job is knowing employees' names and where they work within the Florida Plan, but Larry Williams was surprised recently to learn there are 74 Williamses in the company.

Keeping up with each of them, and with all of the employees, is a full-time, constantly changing job for the Incoming Mail department he supervises. The mail begins arriving at 5:30 a.m. Monday, and the end of the week is often more than 40 hours away.

But when Williams leaves the office, it's time to work on other pursuits.

Like basketball — coaching, not playing, at which he excelled in high school and college, and for BCBSF in the city league.

Williams has coached boys' basketball and football since 1968. This is his third season with his church team of 10-to-17-year-olds, and the advice he gives them goes well beyond sports.

It wasn't always so, but recent years have brought single-parent families, "latchkey" kids, and more youngsters who need attention and direction. So, besides lessons in ball handling, the "Bethel Hornets" learn things they'll need long after their athletic ability has left them.

"Don't make sports your end in life," he tells them, and he stresses the importance of doing homework and getting good grades, staying away from drugs, and minding their parents. He tries to impart lasting moral values to the boys, who conclude every practice with a prayer.

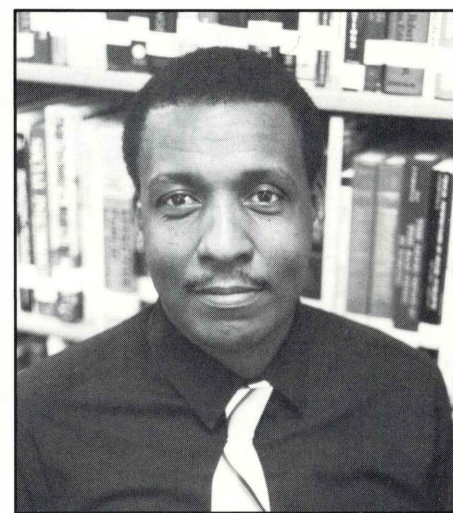
A deeply religious man, Williams also is active in Bethel Baptist Institutional Church, where he serves as a deacon and teaches a Sunday School class of 13-to-15-year-old boys and girls known as the "Christ Ambassadors."

You wouldn't think coaching and church activities would leave much time for watching TV sports, which Williams really enjoys, but he's also working to earn a sociology degree from the University of North Florida.

Williams spends two nights a week there, another evening at Florida Community College at Jacksonville, and the many hours required for reading and writing assignments outside the classroom.

Williams left Florida A&M University many years ago, unfulfilled — "I didn't know why I was there." He knows now, though, and he's determined. "I don't care about the degree, so much, I'm learning about living in 1989."

Sociology is a natural interest for Williams. Having enjoyed people all of his life, and helping them to work together, he's maintained a simple philosophy: "Everybody deserves to be treated like a human being, regardless of who they are." And he says his studies have helped him encourage the



Larry Williams

kind of teamwork needed at BCBSF, his employer for almost 19 years.

"There's no reason you shouldn't enjoy coming to work," he says. "Blue Cross isn't just my company, or yours, it's everybody's company. Helping each other is really what it's all about."

By the way, one of the 74 Williamses is the woman Larry married, the former Veronica Nealy, a section leader in FEP Correspondence.

And incidentally, the Florida Plan has some other popular surnames. There are 66 Smiths, 62 Johnsons, 44 Joneses and 30 Browns.

College interns are learning about health insurance at BCBSF

Four college students are learning about the health insurance business at BCBSF this summer. It's the second

year for the "Inroads" internship program in which companies train talented minority students who might

become their employees someday.

New interns are Vanessa Burney of the University of North Florida and Deesha Philyaw of Yale University.

Jamethia Bivins of Southern University and Charles Coleman of Howard University have returned to BCBSF for another summer of learning.

The students receive summer internships, year-round counseling and comprehensive training.

Ken Thurston, director of Corporate Accounting, considers "Inroads" an excellent program.

"It gives us the opportunity to develop people we would like to employ in the future," he said.



This summer, Vanessa Burney (c) is working in Finance with (l-r) James Mandeville, Edna Kolbe, Ken Thurston and Cynthia Solomon during the "Inroads" internship program.



Deesha Philyaw (l) is learning from Pam Prentice and others in Market Research.

Health care management

(Continued from front page)

■ Quality assurance

"Quality" care essentially means patient-care services that increase the probability of desirable patient outcomes. Quality management programs, which ultimately will affect all product lines, will help BCBSF judge patient outcomes.

Health Options routinely reviews the records of all primary care physicians to verify compliance with standards for certain diagnoses. Specialists' records also are reviewed for some diagnoses.

This serves to assure that appropriate, timely care was provided and documented. It also builds a data base to show which medical practices are effective and which are not.

The coupling of quality review with physician profiling can reveal why doctors practice the way they do. Adverse outcomes then can be related, perhaps, to particular physicians and procedures.

■ Pricing

The health insurance industry is shifting from a fee-for-service hospital payment method to an episode-of-care

payment method — paying a fixed price for care, regardless of the length of stay. It's an incentive for hospitals to operate more efficiently.

Health Options reimburses hospitals on a per diem basis, paying a certain amount for a day in a hospital, regardless of what care is delivered.

BCBSF has relied increasingly on the DRG (diagnostic related group) system used first by Medicare. Having employed DRGs with PPO products, the Plan has begun applying them to traditional products with the Purchasing of Hospital Services (PHS) program.

Since it began in October 1987, the pilot, DRG-based PHS project affecting 12 Orlando-area hospitals has saved several million dollars that the Plan would have spent under a charge-based pricing system.

■ Education

The Florida Plan reduces medical costs by educating members, group benefits managers and providers.

Teaching members how to maximize their health and how to use the medical system can reduce their use of health care services.

Like some other insurers, Blue Cross and Blue Shield of Florida is evolving from a traditional, indemnity-type insurance company into a health care management company. Evidence of this transition, which has occurred mainly during the past five years, is that almost 80 percent of the policies currently being written by the Florida Plan are HMO and PPO products.

National enrollment in HMOs, which provide more control of utilization and price than other products, is growing about 10 percent a year. PPOs, which initially involved discount pricing by physicians, are beginning to offer more HMO-type utilization management programs.

Educating benefits managers about their employees' utilization patterns helps them determine coverage most useful for their employees.

Telling physicians how they differ from their peers in comparable care can influence their practice patterns. Showing hospitals how their average length of stay compares with their competitors can influence their practices as well.

■ Cost of Claims

Underlying all managed care programs, data collection and analysis form the basis for decisions necessary to reduce claim costs.

Given the need for such information, BCBSF's success in managing care will depend to a large extent upon the Cost of Claims project. Its purpose is to lower claim costs while maintaining the Plan's ability to achieve customer service goals.

Some corporate functions are aimed specifically at controlling claim costs, but virtually every other function not directly tied to overhead operations also affects them.

Examining all of these areas, the Cost of Claims project will help to determine policies, procedures and practices to identify causes of unnecessary costs, and to effect changes to discontinue them.

Blue Cross and Blue Shield of Florida is working on every element of managed care.

By adopting local management, which affords greater opportunity to work closely with providers, and by enhancing programs for a growing variety of services, BCBSF will be able to continue to provide access to affordable, quality health care for the people of Florida.

For Your Benefit:

If you need help, these are the people to see in Human Resources

From the Employee Benefits Department

This month's column is a "tour" of the newly designed Human Resources area on I-T. It describes the services available and introduces the people who deliver them.

The **Employment** department on the west side of the Riverside lobby helps to obtain temporary and full-time employees, and to conduct new-employee orientation. Senior corporate recruiters Valerie Strickland-Smith (ext. 6685) and Ellen Driscoll (6423) support HIS, FCL, Marketing, Finance, IS&O and Legal for exempt positions.

Dan Crowe (8217) and Nieves Gallegos (8168) support Government Operations, PBO, Administration and HRD. Non-exempt recruiters Donna Carr-Smith (6459) and Sandy Gieryn (6621) handle PBO, Administration, HIS, IS&O and FCL. Shirley Dunton (8646) handles Marketing, Medicare B, HRD and Legal.

To apply for a position, put your form into the box in the reception area, not on a recruiter's chair.

Entering from Rosselle Street, **Employee Relations** is on your left. For help with problem solving, policy interpretation, consultations and/or career counseling, call Pat Fitzpatrick (8121), Juanita Simmons (8247), or Debbie Linn (6533).

Exit interviews - departing employees' immediate management should schedule them before the effective date of resignation. Call 6718 to schedule.

DisneyWorld/Epcot discount cards must be requested with a signature. Call 6718 for information. For service awards, also call 6718.

Organizational Development and Training is in the area's northwest corner, staffed by management development specialists who help to achieve the corporation's objectives. They are Kevin McShea, Sophonia White, Rick Hendricks, Lynda Goldman and Allan Foss.

To learn about the Tuition Reimbursement Program or the Suggestion Program, call Penny Roush (6013).

Also in this area, Peter Capezio, John Jackson and Barbara Murray of **Regional Human Resources** coordinate employment, compensation, employee relations and training programs with the regional offices.

Compensation and Benefits is to the right when you enter the Rosselle side. Bev Ames (6408) and Sandy Harrison (6923) handle salary and deferral, health and dental care, life insurance, flexible spending accounts, bridging of service, adjustment of annual review dates for employees returning from short-term disability (STD), temporary salary increases for employees in acting positions, and YMCA enrollment.

Behind their desks, Mimi Gilbert-Quinn (6099) handles retirement and long-term disability. To have a job evaluated, call Tom Kolodner (6850), who also helps with job descriptions, performance appraisals, salary exceptions, and questions about Compensation and Benefits policies.

Corporate nurse Mary Cohn (6438) can answer STD questions. Employees should check in with her each morning from 7:30 to 8:30 before returning from STD. Dispensary (on 3-C) hours are 9-12 Monday through Wednesday and 1-4 on Thursday and Friday. For emergencies at other times, call Safety and Security (6219).

The **Human Resources Information Center** (HRIC), across from the Rosselle entrance, keeps personal records on employees. Submit profile changes and requests for employment verification here. Please, keep your records up-to-date.

Safety and Security's administrative offices are beside the HRIC. Daily operational needs are addressed through the central security desk in the Rosselle lobby. Call Michael Legan (8615 or 8736).

Fire drill rated "excellent"

The Jacksonville Fire Marshal's office rated the recent home office fire drill "excellent" in the area that counts the most in a real fire: employee evacuation.

Two hundred employees answered a follow-up survey (600 were distributed), and these were some of the most notable responses:

- 64 percent of the respondents said they were "very clear" as to their responsibilities during the evacuation; 29 percent were unclear.
- 70 percent said their fellow employees were "cooperative and concerned"; 28 percent were uninterested, disruptive, or not serious.
- 89 percent said they were not "overtaxed" using stairwells.
- 80 percent said they had never worked in another high-rise building.
- 87 percent rated the Floor Safety Captains' performance either "excellent" or "good."
- Most said BCBSF's fire preparedness was excellent (10 percent), good (44), better than average (9), or average (30).

"The feedback is consistent with our

assessment of the drill and mirrors some of the same concerns we have regarding the company's and departments' performance," said Michael Legan, manager of Safety and Security.

He said improvements in Center building evacuation routes, crowd control, and the establishment of fire lanes were the fire marshal's main reasons for rating the drill higher than previous drills.

There were significant improvements, but some employees expressed serious concerns about the slow and casual pace of stairwell evacuation.

Some people also expressed a need for better communication and directions for evacuation routes and staging areas, and for a more efficient elevator system for employees returning to work areas.

Agreeing that more work is needed in each area mentioned, Legan challenged employees to share their concerns and suggestions with his staff and with other employees and management "in order to gain universal support and commitment for our safety programs."

CALENDAR

AUGUST

- 2 Medicare B provider seminar* - Fort Myers, general, Sheraton Harbor Place
- 3 Medicare presentation** - Dunedin, senior forum
- 5 BCBSF Intramural Softball Tournament - Jacksonville, Ringhaver Field
- 9 BCBSF Intramural Volleyball begins - Jacksonville, Lot 3
- 11 Medicare presentation - Orlando Council on Aging
- 17 Medicare A seminar*** - Fernandina Beach, Nassau General Hospital, provider educational training on Medicare billing, 1 - 3:30 p.m.
- 21 Medicare A seminar - Tampa, American Guild of Patient Account Management, West Coast chapter
- 23 Medicare B provider seminar - Tampa, surgery, Holiday Inn Airport
- 23 Medicare presentation - Tampa, University Community Hospital, catastrophic coverage, 1 p.m.
- 26 Corporate Caring**** - Labor Day BBQ, noon - 2 p.m.

SEPTEMBER

- 12-13 Medicare B provider seminar - Orlando, surgery, Park Suite Hotel
- 19 Speaking engagement - Jacksonville, St. Vincent's Home Care Professional Advisory Committee, noon - Janet Crozier
- 21 Medicare B provider seminar, surgery, Jacksonville, Holiday Inn Baymeadows
- 25-28 Speaking engagements - Tampa, Florida Council on Aging, catastrophic coverage workshops - Janet Crozier

OCTOBER

- 11-12 Medicare B provider seminar - Tampa, general, Holiday Inn Airport
- 25 Medicare B provider seminar - Orlando, surgery, Park Suite Hotel
- 28 Corporate Caring - Halloween party, 2-4 p.m.

* Medicare B provider meetings and seminars, 359-8260

** Medicare presentations by senior advocate, 791-6738

*** Medicare A seminar, 791-8358

**** The Corporate Caring Program invites employees to help brighten a day for senior citizens at Cathedral Townhouse in Jacksonville. Call 791-8070.

This calendar is intended to reflect upcoming activities involving all areas of the corporation. Call 791-8664 to report scheduled activities.

Confidential Substance Abuse Hotline

1-800-227-8620

Staffed 24 hours a day, 7 days a week
by non-BCBSF professionals
who specialize in counseling and referrals.

PROFILE

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It's a tale of too many taxes

From Corporate Tax Planning

Most employees are aware that Blue Cross and Blue Shield of Florida is now subject to federal income tax. But are you aware of the multitude of other taxes the corporation pays?

The Florida Plan paid more than \$10.5 million in taxes in 1988, and it anticipates having to pay an even greater total tax bill in 1989.

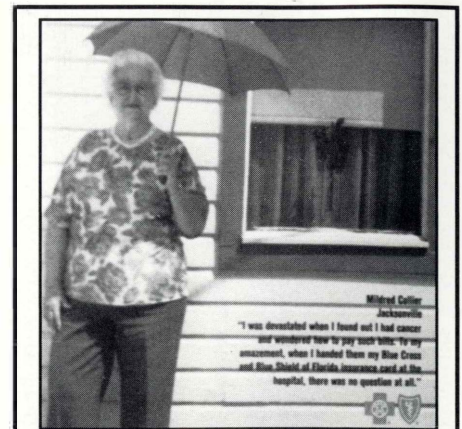
In addition to federal and state income taxes, BCBSF is subject to sales and use taxes, real property taxes, tangible and intangible personal property taxes, payroll taxes, and the state premium tax.

Also, there are two income tax add-ons — the state emergency excise tax and the federal environmental tax.

The Plan paid no income taxes in 1988 because the corporation incurred an operating loss. But our projected income tax liability for 1989 is more than \$750,000.

In 1988, BCBSF was subject to the premium tax for only a half-year and paid \$1.5 million. As a result of recent premium tax legislation, our 1989 premium tax assessment may exceed \$6 million.

The Plan's payment for payroll taxes surpassed \$8 million in 1988.



Special report mailed

An abridged corporate annual report recently was sent to all group administrators and non-group policyholders. For extra copies, contact Executive Communications, ext. 8664.



Martha Aderhold

Aderhold feted for leadership

Martha Aderhold, manager of Over-65 Claims and Customer Service in Direct Market Operations, is the first BCBSF employee to be honored as Business Associate of the Year by the Port-O-Call chapter of the American Business Women's Association.

The award recognizes her leadership and motivational abilities, and her commitment to provide superior customer service. Final nominees were

chosen by U.S. Rep. Charles Bennett.

Aderhold said the efforts of many dedicated employees made this award and others possible.

The ABWA's mission is to provide personal and professional growth opportunities for women of diverse backgrounds through leadership, education, networking support and national recognition.



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